

The original documents are located in Box D21, folder “Night Industrial Clubs (YMCA) and Industrial Executives Club (YMCA), Saginaw, MI, January 11, 1967” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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AN ADDRESS BY REP. GERALD R. FORD, R-MICH.

BEFORE THE NIGHT INDUSTRIAL CLUBS (YMCA) AND THE INDUSTRIAL EXECUTIVES CLUB (YMCA)
SAGINAW, MICHIGAN

Gentlemen:

I am most happy to be in Saginaw. It is doubly a pleasure to be here--first because Saginaw is the hometown of an outstanding member of Congress, Jim Harvey, and second because Saginaw is the kind of hard-working industrial community which has helped to make Michigan the great state it is.

I enjoy talking about Jim Harvey. Jim and I do not always agree, but I have the greatest respect for him and for his ability. Jim is a fine individual and a man of the highest integrity.

The question of integrity in the federal government--both in the Legislative and Executive Branch--is very much before us today. Let me say first off that I am encouraged by the action taken Tuesday by the House of Representatives--and I think it not immodest to emphasize that this action was taken on the insistence of Republicans.

The Adam Clayton Powell case goes beyond any one individual. It brings into sharp focus the entire issue of honesty in government.

At the outset, I pledge to you that Republicans intend to press vigorously for honesty in government during the 90th Congress--honesty both in the personal conduct of members of Congress and honesty by the Executive Branch of the government in the conduct of our national affairs.

Republicans moved with a clear conscience to keep Mr. Powell from being seated in the House pending an investigation by a special committee or an Ethics Committee. We did so because we were looking beyond Mr. Powell to a crackdown on the expenditure of the funds of the House of Representatives.

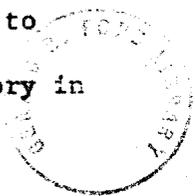
In this session of Congress you will find Republicans demanding that the House tighten up its internal accounting controls. We will offer safeguards against fraud and other misuse of House funds by any member.

You will also see Republicans advocating new laws setting standards of conduct for congressmen and establishing an Ethics Committee or Committee on Standards and Conduct to see that those laws are enforced.

Individual misconduct cannot be permitted to besmirch the image of the entire House of Representatives. It therefore is imperative that the House adopt and enforce a Code of Ethics for its members.

There is another kind of dishonesty in government that is more difficult to attack. It lacks excitement. It is not the basis for a good human interest story in

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the newspapers although it deeply affects the life of every American. It is the story of dishonesty in the federal budget.

I would be mistakenly charitable if I told you the Johnson Administration's fiscal 1967 budget was anything other than deceptive. It is important to look at that exercise in budgetary dishonesty because it now is federal budget time again.

While we're talking about truth-in-budgeting, let's be candid about what has happened to federal finances in the past year. The Johnson Administration, through excessive domestic spending with a cloak thrown over it, has hatched a giant-sized mess. The Administration now is proceeding to drop this fiscal mess into the lap of the 90th Congress.

I'll tell you frankly that after the kind of fiscal fiction practiced by the Johnson Administration last year I find it difficult to believe anything the President says on the subject of federal finances.

The American people wanted so much to be believers last January when the President blithely told them the Nation could boost social welfare spending by \$3.5 billion and fight a \$2 billion-a-month war in Vietnam and still wind up with only a \$1.8 billion deficit.

The trouble with being a believer last January was that the President's budget was dishonest to begin with. It simply concealed the true level of federal spending.

The President was playing games with the federal budget--and the name of the game was COVERUP.

The best proof of that is that we now face staggeringly large federal deficits in fiscal 1967 and 1968.

Let's lay aside the fact that there were a number of one-shot devices in the fiscal 1967 budget to make the revenue side of the ledger look better. These moves were not wrong in and of themselves, but they did blind the American people to the sharply upward and dangerous trend in federal spending. They distorted the financial picture because they were one-time-only propositions.

The dishonesty in the budget--and there was dishonesty in it--came in the form of some pieces of paper the Johnson Administration proposed to sell. The Administration called this paper "participation certificates." These certificates ostensibly give the buyer an interest in a pool of government-owned assets. The government doesn't sell the assets. These certificates are just another form of government borrowing--borrowing at a higher rate of interest than the government pays out on regular longterm government securities.

The beauty of this scheme for the Johnson Administration was that they could get away with crediting the sale of participation certificates as a reduction in the cost of government. What they did was to treat the sale of PC's as a sale of assets

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when actually it was just another form of borrowing--borrowing that is more costly to the taxpayers in increased interest costs than regular Treasury borrowing.

Republicans fought the plan in the 89th Congress, but it was railroaded through by the Administration.

We will make another fight against this kind of budgetary dishonesty in the 90th Congress because we believe it to be dangerous. It tends to deceive both the public and the Congress as to whether the federal budget is in reasonable balance.

This fiscal year, for instance, the Johnson Administration is empowered to borrow more than \$4 billion via the participation certificates route. That's \$4 billion that does not have to be recorded as part of the national debt and \$4 billion that will not show up as part of federal expenditures for this fiscal year.

The Participation Sales Act of 1966 should be repealed if we are to move toward honesty in accounting for expenditure of the people's money in Washington.

Honesty in budgeting is the first step toward a goal the 90th Congress must set for itself if we are ever to halt runaway federal spending. That goal is federal expenditure control.

The simplest way for us to achieve federal expenditure control would be for the President to give the Bureau of the Budget a spending ceiling and tell the budget director to fit all expenditures under that roof.

But we know that isn't going to happen and so the burden falls on the Congress.

Spending in the remaining months of fiscal 1967 can only be curtailed by the President. But the job of making deep cuts in fiscal 1968 spending must be undertaken by Congress.

The goal in Congress should be to bring the federal budget into reasonable balance by calendar year 1968--and to do this without an income tax increase.

With defense expenditures projected to run as high as \$75 billion in fiscal 1968, it is nonsense for the Johnson Administration to continue to talk about a guns and butter economy. Non-defense spending must be held down. If nothing else, built-in increases in social welfare spending must be laid aside.

If substantial, truly meaningful cuts are made in projected federal spending, does this mean that existing social welfare programs will grind to a screeching halt? The answer is an emphatic "no."

Unnecessary federal spending now viewed as built-in because of previous congressional action can be washed out without damage.

Just before the Eisenhower Administration left office in January, 1961, then Budget Director Maurice Stans projected federal expenditures for the Sixties on the basis of a frugal budget, a medium-sized budget, and a budget which assumed the carrying out of all the reasonable ideas advanced by various government agencies at the time.

Maury Stans now tells us that the Johnson Administration has been accelerating federal spending at a rate even greater than that in his--Stans'--high level projections of 1961 for the decade of the Sixties.

This country can make progress toward its great national goals without subscribing to a philosophy of sharply spiraling federal spending. We can and must make progress, but let it be progress at a pace we can afford. Thank you.

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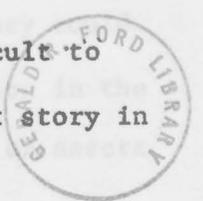
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